

## **Translating global policy into local action 6th June Member Meeting Notes**

Around 50 members of the Microinsurance Network ranging from insurers, regulators, researchers and donor organisations gathered for two days in the context of the 6<sup>th</sup> Microinsurance Network's member meeting to discuss current trends, emerging practices and new products in the microinsurance sector.

The Chair of the Network, Michael McCord, welcomed the members and put forward a number of key ideas for the Network to focus on: **Enhancing member value** by attending global events and putting microinsurance on the agenda of global forums such as the G7, G20 and APEC meetings; **Increasing industry membership** by attracting more insurers as institutional members, and foster more engagement and product diversification; **Improving regional presence** by setting up an advisory committee on regulations and taking stock of regional conferences that are taking place. There is a need to promote the Network's objectives and translate global policy into local action, **improving financial stability** by diversifying funding sources, and attracting sponsors and donors for specific projects and events.

In a conversation with Board members, questions revolved around industry engagement: The Network will have to link to members in different regions, creating public goods and promoting a system where the role of the Working Groups will change, feeding in new ideas. The publication "The State of Microinsurance", which provides guidance on new cutting edge ideas and challenges is one example. Furthermore, networking and dissemination build on the opportunities provided by the work on shaping the global agenda on microinsurance.

In the future, the Network will continue to promote multisectoral membership and will eventually become more focused to reach specialised audiences such as insurers and others.

The session **Leveraging technology to deliver primary health care: How microinsurance fits in**, discussed how primary care could be provided in a sustainable manner and was moderated by Rupalee Ruchismita from the Resilience Design and Research Labs. Technology advances were also presented in the actual delivery, production and distribution of health services.

Dr. Ajay Nair, Co-Founder and Managing Director of MeraDoctor from India presented the use of technology to increase access to health care targeting low-middle to middle income populations. Through the largest microfinance channels, the project reached an insurance cover of 15 million USD, worked with 1100 partners and provided 30,000 doctor consultations in more than 200 cities and towns. Through a mobile android application, 80,000 people are now able to chat with doctors concerning health issues. The added advantage of this pilot project is the storage of highly important health data specific to each patient, in addition to geomapping, mapping ailments by region and providing a much needed very rich medical record.

Diederik van Eck from PharmAccess Foundation presented the Group's different initiatives trying to enable cash flows, quality improvement in safe care, national accreditation and the promotion of microhealth insurance projects, namely in Kenya and Nigeria. The loan is granted by a local bank and M-Pesa Kenya is a digital payment platform where 25% of the GDP flows. The project links remittances to the health wallet, group savings and donor-funded vouchers for specific services. It has not been upgraded yet to be a microinsurance product as such, but it has evolved from the situation where out of pocket cash was required to a health wallet, where it will eventually become a health insurance product. The health wallet project promotes investment in health, improves affordability and data collection, and creates transparency. The project is intended to be replicated in rural areas.

In the session **Practitioners' perspectives and concerns** on distribution, discussion revolved around mass insurance versus microinsurance, especially in relation to channels of distribution, criteria for success, and what the Network can do to influence distribution. Brandon Mathews from Stonestep acted as facilitator.

On the question related to channels of distribution, there was a general consensus that mobile phone technology is an effective means of distribution, in addition to bundling with non-financial products (agricultural inputs) in agriculture insurance for example. There was also consensus on the fact that business organisations can act as an adequate distribution channel and trusted branded organisations. Further, there was talk about linking distribution to remittances, bundling with third party providers and high touch versus low touch technology. The criteria of success can be measured by the number of adherent/enrolled and renewals. The Network could provide superior market intelligence by linking people to industry and providing actual information. The Network is expected to do more research concerning mobile technology and marketing schemes.

The session on **The role of subsidies in agriculture microinsurance** took the form of a USA presidential debate where each candidate had to persuade the audience and was rated based on the arguments he or she presented. The topic was debated by Emily Coleman from IFAD, Roland Steinmann from the MicroInsurance Centre, and Thomas Wiechers from GIZ, and facilitated by Philippe Guichandut from the Grameen Crédit Agricole Microfinance Foundation.

Some argued that subsidies make agriculture unsustainable. On the other hand, if agriculture could exist without subsidies, a big number of farmers would not be covered. Agriculture insurance should be a means for farmers to invest, earn more and increase their potential. One idea brought forward was that governments should take over in the form of subsidies when farmers are not covered by microinsurance schemes.

It is more relevant at this stage to specify what should be and should not be subsidised. There is a need to create an environment for farmers where farming is perceived as a business. Instead of subsidising premiums, there is a need to create enabling environments, enhancing extension services and trade policies. Only in the case where there is a requirement for rapid scaling, could subsidising premiums be part of the solution.

Even if subsidies exist in agriculture microinsurance, the question is how to make them sustainable in the long run by providing exit or follow-up strategies. As example would be crowding by private insurers.

Furthermore, instead of asking if the system is subsidised or not, one solution is to provide means to deal with systems that have subsidies within them. One of the proposals was for the Network to work closely with governments at the policy level and provide a platform where discussions could be held between the relevant actors. An idea could be to help replicate successful models to other countries and promote success stories.

Two examples illustrated the question on when to stop providing subsidies: In the USA and Brasil, subsidies were given for an area yield index insurance for forage producers. In the USA, agents took over and created their own businesses based on this mechanism. It becomes apparent that educating farmers on the benefit of the insurance product is crucial. Reinsurance and when to phase it out was also discussed.

Another question rose up: Is bundling agricultural insurance products a good way to enhance farmers' resilience? For example IFAD's programme provides seeds and fertilisers for sowing, administered in a seasonal fashion, bundled with a microinsurance scheme. The scheme is provided through mobile technology and complemented with SMS providing timely information and guidance on local prices, weather information and optimal agricultural practices. The programme, which was subsidised for three years on a decreasing scale, proved successful and hence enabled farmers to increase their potential and promote economic stability.

On a further note, the G7 German Initiative targets 400 million people to be covered by direct and indirect insurance. 300 million will be reached under catastrophe schemes especially focused on Africa and the remaining 100 million will be covered by projects in microinsurance, financed by the climate insurance fund.

The session **There is too much emphasis on client protection and regulation in the microinsurance sector**, was focused on the role of regulators in consumer protection. It was debated by Denis Garand from Denis Garand Associates, Mandla Shezi from Hollard, Martina Wiedmaier-Pfister from GIZ- on behalf of BMZ, and Christian Loots from the Centre for Financial Regulation and Inclusion (CENFRI). The session was moderated by Manoj Pandey from the Microinsurance Network.

Discussion revolved around the need to have namely standardised bodies, market competition, capacity building of regulators and client education. Nowadays, there is a remarkable growth in mobile insurance driven by mobile network operators (MNOs) for strategic mobile insurance and the use of the mobile phone for several functions in the insurance process such as transactional mobile insurance.

In South Africa, protection issues are embedded in regulation. Customised regulations and market competition play an important role in consumer protection. The role of the regulator is to promote access, to adjust regulations and, when necessary, enable digital electronic contracting. For example, demand and supply of microinsurance products are high in Indonesia, but regulation does not allow electronic contracting. In microinsurance, the regulator should enable access, such as in the aftermath of Typhoon Haiyan, when 150,000 people had access to microinsurance.

In the area of regulations, Canada and the USA show tangible differences. While the USA is a very interventionist type of market, due to lack of trust of insurance companies, Canada has a more competitive market and therefore lower expenses for insurance companies.

Regulators are being increasingly challenged with consumer risks due to evolving digital markets. With the advent of mass insurance and digital insurance, data transparency and consumer protection become crucial. Financial education becomes even more important for consumers to be aware of their rights, responsibilities and channels of redress (e.g. Ombudsman).

Current risks were discussed such as partnership risk that emerged due to different motivations of partners, some of them coming from a non-insurance background. In addition, data risk has also increased including the underwriters' operational systems that do not provide correct, complete and up to date data on how the business is managed; and client data that may be lost or not kept confidential.

Emerging practices in consumer protection showed innovative collaborations such as the multi-authority collaboration, for example via joint Memoranda of Understanding (MOUs) such as the multilateral one on cooperation in regulation and supervision of the insurance industry, signed between Insurance Regulators Authorities of the East African Community Partner States.

In South Africa, a product was developed for the low income market that had a good entry level because it emphasised client value. Another example was in the Philippines where industry and regulators worked together to develop a product while focusing on consumer protection.

There is a growing need for new and more easily accessible means for capacity building of regulators and supervisors to keep pace with industry developments such as peer dialogues and learning, topical webinars and distance training. Data protection and privacy will have to be strengthened in digital insurance schemes.

Members shared issues and experiences in a session called **Pitch and Parley**. Some of the principal ideas presented and discussed were a new health product launched in the Democratic Republic of Congo by an organisation focusing on vulnerable children; natural catastrophes and microinsurance in the Philippines; the microinsurance course launched by the Frankfurt School of Finance and Management; micro-level impacts of insurance payouts; and potential inputs to the upcoming EU-hosted climate change adaptation conference.

**Working and Discussion Groups** presented their key achievements in 2014 and planned activities in the coming year. The objective of future activities is to develop expert advice on key issues and challenges that the sector will face in the future and that are crucial for the Network's mission in promoting effective insurance services. The outputs are expected to be public goods such as advocacy tools (articles, blogs, podcasts, webinars) or projects (research on new tools, conferences, and trainings).

The meeting put forward a wealth of information concerning innovative ideas, new microinsurance products, initiatives, partnerships and future undertakings. Members were not only able to provide their insights and inputs to the discussions, but also had the opportunity to strengthen their networks. We look forward to seeing you all next year.

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